

## **LBNL – PROCUREMENT STANDARD PRACTICES**

**Section: 47 Transportation**  
**Subject: 47.1 Transportation – General**

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<b>PURPOSE:</b>	The purpose of this standard practice (SP) is to provide information and guidance on transportation and traffic-related matters.
<b>POLICY:</b>	The Laboratory will ensure that the method of transportation used to ship goods to and from the Laboratory is in the best interest of the Laboratory.
<b>SCOPE:</b>	This SP applies to all subcontracts involving transportation of goods.
<b>DEFINITIONS:</b>	
<b>Bill of Lading</b>	A bill of lading is a contract between a transportation firm and a party that is shipping goods.
<b>Cost, Insurance, Freight (c.i.f.)</b>	Cost, insurance, freight is a term used in lieu of free on board (F.O.B.) for marine shipments. The term designates that the purchase price includes the cost, insurance, and freight to a named destination. The obligation imposed on the seller when the shipping term is c.i.f. destination is to load the goods onto a carrier, make a contract for their shipment, and pay for the freight and insurance. Risk of loss passes to the Laboratory upon the loading of the goods.
<b>Cost Plus Freight (c.&amp;f.)</b>	The term cost plus freight is the same as described immediately above, except that insurance is not purchased.
<b>Destination</b>	Destination is the place or point to which goods are shipped. As used herein, the destination for goods shipped under a subcontract is the Laboratory.
<b>F.O.B.</b>	F.O.B. is a shipping term that means free on board. The term is used in conjunction with a physical point to determine (a) the responsibility and basis for payment of freight charges and (b) unless otherwise agreed, the point at which title for goods passes to the Laboratory or consignee.
<b>F.O.B. Destination</b>	F.O.B. destination is a shipping term that means free on board at destination. Unless a subcontract provides otherwise, the cost of shipping and the risk of loss are borne by the seller.
<b>F.O.B. Origin</b>	F.O.B. origin is a shipping term that means free on board at origin. Unless the subcontract provides otherwise, the cost of shipping and the risk of loss are borne by the Laboratory. A subcontract that does not designate the point of delivery is commonly held to be F.O.B. shipping point.
<b>Normal Delivery</b>	Normal delivery time is considered to be the time in which goods

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**Time** can be delivered by the most economical method as established by commercial carriers for the classification assigned to the shipment. Normal delivery time for freight that is shipped via surface carrier (such as motor freight) may be considered to be 8-15 days coast to coast. Normal delivery time for rail freight on carloads is 7-10 days and United Parcel Service is 3-5 days.

**Origin** Origin is the place or point at which a shipment originates, usually a subcontractor's warehouse or plant.

**Premium Transportation** Premium transportation is any method other than the least costly normal commercial mode for the goods involved.

### PROCEDURES:

**General** Various factors must be taken into consideration when shipping goods to and from the Laboratory. Such factors include transportation costs, delivery time, safe handling of the goods, and the risk of loss. The method of shipment should ensure that goods arrive in good order and condition, on time, and at the agreed-to-price.

Where practicable, Transportation Services should be consulted to determine the most effective and advantageous method of transportation.

**Determination of F.O.B. Point** The F.O.B. point must be included in all subcontracts as one of the terms of sale in order to identify the point at which the Laboratory assumes transportation costs and/or responsibility for filing claims for merchandise lost or damaged while in transit. Normally, the subcontract will designate that title to the merchandise passes to the Laboratory at the F.O.B. point. The chart at Exhibit 47.1a, *F.O.B. Terms*, shows various terms of sale and the conditions of each term.

**F.O.B. Destination** — The Laboratory normally solicits and awards subcontracts for goods on the basis of F.O.B. destination so that title transfers upon receipt by the Laboratory (or upon receipt at some other designated destination) and the subcontractor assumes the risk of loss and the administrative burden of filing damage claims with the carrier. F.O.B. destination, freight collect, is normally advantageous to the Laboratory in circumstances such as the following:

- Purchases made from General Services Administration (GSA) Supply Centers, the Government Printing Office, or other government agencies that sell on an F.O.B. destination basis;
- Purchases made from commercial sources under a GSA

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contract that was awarded with terms of F.O.B. destination;

- Local purchases delivered by a subcontractor's truck;
- Small purchases, unless freight charges are a significant part of the acquisition cost; or
- Purchases of high-value, fragile, or perishable goods when the freight charges are a small part of the overall acquisition cost and the risk of damage in transit is high.

**F.O.B. Origin** — F.O.B. origin may be advantageous to the Laboratory when

- Lower freight rates are available through government bills of lading, or
- Destinations are tentative or unknown.

**Place of Acceptance** — The place of performance of the Laboratory's quality assurance activities and the place of acceptance should not control the shipping terms. However, if acceptance will be at destination, the shipping terms must be F.O.B. destination.

The fact that the transportation is F.O.B. destination does not alone require that the place of acceptance be changed from origin to destination, nor does inspection and acceptance at origin require delivery terms of F.O.B. origin. Providing for inspection and acceptance at origin in conjunction with F.O.B. destination delivery terms may be advantageous to both the Laboratory and the subcontractor. Acceptance of title at origin by the Laboratory with delivery terms of F.O.B. destination permits payment to the subcontractor, provided that the invoice is supported by evidence of shipment to the appropriate destination.

### **Modes of Transportation**

Generally, solicitations do not specify a particular mode of transportation (e.g., rail, truck, or air freight) or a particular carrier. If the use of a particular type of carrier, such as a refrigerated rail car or air ride van, is necessary to meet programmatic requirements, the solicitation must specify that only offers involving the specified types of carriers will be considered.

All specifications for mode, route, delivery, etc., should be coordinated with Transportation Services in order to prevent excessive transportation costs for the type of goods to be shipped. This is especially important when unusually heavy or delicate items are involved or delivery time is an important factor.

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### **Premium Transportation**

When premium transportation is required because of programmatic necessity or another requirement, the requester must authorize the additional cost and the necessity for premium transportation must be documented in the subcontract file. Rate comparisons and carrier routing instructions should be obtained from Transportation Services. The rate comparison furnished by Transportation Services should be included in the subcontract file.

When premium transportation is used to expedite delivery and the shipment does not arrive on schedule, consideration must be sought from the subcontractor or carrier for the amount exceeding the normal transportation cost.

### **Insurance**

**F.O.B. Destination** — When a subcontract specifies F.O.B. destination or otherwise specifies that title to the goods remains with the subcontractor until receipt by the Laboratory, the subcontractor bears the risk of loss and is responsible for insuring the shipment for its own protection. Normally, any such insurance is a cost factor built into the subcontract cost or price and may not be invoiced separately to the Laboratory.

**Commercial Rail/Truck Shipments** — Rail or truck freight shipments are, for the most part, insured by the commercial carrier for the maximum value allowable based upon the lowest transportation rate available under the item's tariff classification. In most instances, this insurance value is extremely low and does not compare to the actual value of the shipment. Nevertheless, the subcontractor may recover certain losses or damage from the commercial carrier or its insurance company, depending upon the circumstances of the loss.

**F.O.B. Origin** — Unless the subcontract specifies another point for transfer of title, items shipped F.O.B. origin become the property of the Laboratory at such point of shipment. The Laboratory must reimburse to the subcontractor any payment of insurance fees to protect goods shipped F.O.B. origin against loss or damage. Unless the items are considered high value (see below), the subcontractor should not declare the full value of the shipment and must not insure the shipment.

**Valuables** — The Laboratory may insure property against damage or loss during transportation when the property is defined as valuable under the Government Losses in Shipment Act. Precious metals (see SP 8.1, *Special Purchases*), including articles composed of precious metals, are among the items considered under the Act to be valuables. Transportation Services should be contacted for assistance in insuring property.

**High-Value Items** — The potential for loss or damage to

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shipments of high-value items can be minimized by declaring the full value of the property. Declaring the full value of the property usually results in careful handling and better controls during shipment without incurring the cost of insurance. Full value should be declared for shipments of

- Expensive and delicate pieces of equipment;
- High-precision machine parts manufactured from rare, expensive materials; or
- Those items whose damage or loss in transit would result in programmatic hardship, such as a costly postponement or delay.

Shipment must be coordinated with Transportation Services in order to determine whether the goods can be shipped full-value declared and to obtain the rate comparison between full-value declared and premium transportation.

If practicable, subcontracts involving high-value items should be shipped F.O.B. destination so that the responsibility for shipment rests with the subcontractor. Details supporting the need for preferential handling and the rate comparison must be documented in the subcontract file. The shipping terms of the subcontract must state that full value is declared.

### **Bills of Lading**

The majority of the Laboratory's shipments are made under commercial bills of lading. Occasionally, it is more advantageous for government property to be shipped under a government bill of lading, such as when property is being transferred from a government agency to the Laboratory, or vice versa. Authorization to use a government bill of lading must be obtained by Transportation Services from DOE.

### **Rate Tenders**

The Interstate Commerce Commission Act provides that a commercial carrier may quote a competitive or special rate, or rate tender, for its services instead of its normal established rate when a shipment involves government property. Transportation Services should be consulted regarding the availability of these rate concessions for shipments made at the Laboratory's expense. If a rate tender will be used, the shipping terms of the subcontract must include the rate tender number.

### **Foreign Shipments**

All shipments of items, other than reports, into or out of the U.S. must be coordinated with Transportation Services. Failure to follow proper procedures for imports or exports may result in the assessment of fines and penalties against the Laboratory. See SP 47.2, *Imports and Exports*, for procedures pertaining to imports and exports.

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### **RESPONSIBILITIES:**

#### **Procurement Specialist**

The procurement specialist must

- Ensure that insurance is obtained to protect against loss or damage for goods purchased F.O.B. origin;
- Ensure that subcontracts involving the shipment of valuables or high-value items that have a high risk of loss are appropriately insured;
- Obtain authorization from requesters for shipments involving premium transportation costs;
- Designate the F.O.B. and acceptance points in all subcontracts; and
- Consult with Transportation Services on issues pertaining to
  - The most effective and advantageous method of transportation;
  - The need for premium transportation;
  - Preventing excessive transportation costs for the types of goods to be shipped;
  - Rate comparisons and carrier-routing instructions for shipments requiring premium transportation or special handling due to high value, fragility, size, temperature controls, etc.;
  - Declarations of full value and rate comparisons between full-value declared and the normal valuation;
  - Use of a government bill of lading;
  - The availability of rate tenders for F.O.B. origin shipments or for shipments made from the Laboratory; and
  - Shipments into or out of the U.S.

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Terms of Sale	Risk of Loss Passes to the Laboratory at	Freight Charges Paid by the
F.O.B. Destination	Laboratory-designated delivery point	Subcontractor
F.O.B. Destination, Freight Collect	Laboratory-designated delivery point	Laboratory (to the carrier)
F.O.B. Destination, Freight Prepaid and Added	Laboratory-designated delivery point	Laboratory (to the subcontractor)
F.O.B. Origin, Freight Prepaid	Origin	Laboratory (to the carrier)
F.O.B. Origin, Freight Prepaid and Added	Origin	Laboratory (to the subcontractor)

Unless otherwise stipulated in the subcontract, title passes to the Laboratory at the F.O.B. point.